

**BRIGHAM CITY COUNCIL
WORK SESSION TO CONSIDER UTILITY REVENUE BOND
TO CONSTRUCT A WATERLINE AROUND MANTUA RESERVOIR,
ELECTRICAL SUBSTATION AND
TRANSMISSION LINE
AUGUST 3, 2017
5:30 PM**

PRESENT:	Tyler Vincent	Mayor
	DJ Bott	Councilmember
	Alden Farr	Councilmember
	Ruth Jensen	Councilmember
	Tom Peterson	Councilmember
	Mark Thompson	Councilmember

ALSO PRESENT:	Alex Buxton	Bond Advisor
	Mary Kate Christensen	City Recorder
	Brett Jones	City Engineer
	Mike Nelsen	Police Chief
	Derek Oyler	Finance Manager
	Tyler Pugsley	Public Works Director
	Jason Roberts	City Administrator

Mr. Pugsley stated that the waterline under Mantua Reservoir has been a concern for more than twelve years. Based on what they knew about the line they estimated a new line around the Reservoir would cost \$2,800,000. They now know that the depth of line would have to exceed 35 feet deep for a gravity system. Mr. Jones stated that the new estimate is \$7,000,000 to \$8,000,000.

Mr. Pugsley explained that there are three sources of drinking water located on the northeast side of the Reservoir and one source located on the south side. Mr. Pugsley and Mr. Jones feel that the best option is to pump East Halling Springs because it is already low, then lift it to a gravity main at a shallower depth. The cost to gravity just this source is \$2,800,000. To pump one source and gravity the other two, the total project would be \$5,630,000.

They looked at several options including keeping the line 4 or 5 feet deep and pumping to the pressurized system but the electrical costs would be too high. To gravity everything in two directions would be \$6,200,000 for the north leg and another \$2,500,000 to \$3,000,000 for the south one. Boring sections of the line and excavating the shallow sections will be more cost effective. Mr. Jones stated most of the items listed have 20% contingency but the line item costs are close to 30%. Mr. Pugsley stated that if the Council approves the resolution, they will continue to look into other options to reduce costs.

There was discussion in reference to contamination, boring and diagonal drilling. In terms of future flow, if Halling Springs were contaminated they could drill a well and pull a lift pump to the source. Mr. Pugsley stated that there is no possibility of drilling a larger well in the future. Mantua is a closed basin and the state engineer is not approving any more water rights in the area. There are options to change the point of diversion at Knoll Spring or to upsize the Peter Jensen well in the future. Once there is a new line in place, they will likely abandon the line under the Reservoir and close and seal the valves and perhaps pour concrete at the ends.

Mr. Jones would like to know if the City Council feels it is feasible to bond this project.

Mr. Oyler reviewed the capital project budget stating that the West Forest substation and transmission line costs are \$4,600,000. The development agreement will reimburse \$1,400,000. Site work along 800 North on the I-15 loop line is budgeted at \$350,000.

The total proposed bond amount including the Mantua Reservoir line is \$9,319,000 with 2.3% interest for 10 years and annual payments of \$1,000,000. Estimated fees to get the bond approved are \$85,000. If they were to extend the note to 15 years, the interest rate would go up to 2.9% for a \$30,000 difference.

There is an expiring storm drain bond at the end of the current fiscal year with payments of \$640,000 per year. The net estimated additional revenues from economic development projects are \$100,000.

The fiscal year 2017-18 budget shows a significant amount of money going to the Industrial Way road construction on the east side of the Niagara building. The development agreement states that the City will share the cost with Niagara. The money left over in that RDA will go to pay down the bond amount because the money can be used for infrastructure in that area.

The Council had questions on the necessity of the bond as well as the possibility of bonding the electrical project and the water project separately. The bond is necessary for the West Forest substation because the funding is coming out of 46 kV line reserves from prior years. Mr. Roberts stated that the City would pay higher fees if two bonds are issued.

Another major project that may be necessary during the next 10 years is the exposed portion of the Penstock line. Mr. Roberts stated that there is a secondary water project and power source projects but nothing dire. This should not affect bonding ability.

Mr. Buxton reviewed the coverage table. The last water/sewer/electric revenue bond was in 2006. One of the covenants to the bond holders was that the City would not issue more bonds than what would make the amount of revenue available to pay the bonds would be less than 125%, or 1.52 times coverage of the bond payment. The table includes the remaining 2006 B and C bonds and a \$1,000,000 estimated annual payment for the Mantua Reservoir line. The coverage was 7.2% times of the bond payment so there is capacity for future bonds.

The 10 year bond option is a private placement and callable at any time. If the City bails out, the bond fees will still be paid. Mr. Oyler reduced the fees to \$55,000 because the attorney's fees were added in twice. The fees would only change if the length of bond is increased, not if the bond amount is reduced.

The work session was adjourned at 6:36 p.m.

The undersigned duly appointed Recorder for Brigham City Corporation hereby certifies that the foregoing is a true, accurate and complete record of the August 3, 2017 City Council Meeting.

Dated this 7th of September 2017.

Mary Kate Christensen, Recorder